

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2015

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
OF SAN MATEO COUNTY**

SOUTH SAN FRANCISCO, CALIFORNIA

JUNE 30, 2015

The District is located in Northern San Mateo County, California, one of the nine counties which comprise the metropolitan San Francisco Bay Area. The District encompasses territory in the entire City of South San Francisco, a portion of Daly City, a small area of San Bruno and small "islands" of unincorporated areas of San Mateo County. The District extends from San Francisco Bay in the east to Skyline Boulevard in the western hills. The District currently operates ten elementary schools, three middle schools, two comprehensive high schools, one continuation school, four day-care schools, one adult education school and one centrally located children center.

GOVERNING BOARD

Member	Office	Term Expires
Judith Bush	President	2016
Patrick Lucy	Vice President	2018
Maurice D. Goodman	Clerk	2016
Rosa G. Acosta	Member	2018
Rick Ochsenhirt	Member	2018

DISTRICT ADMINISTRATORS

Shawnterra Moore Thomas, Ed.D.
Superintendent

Jay Spaulding
Interim Assistant Superintendent, Personnel

Leticia Bhatia
Interim Associate Superintendent, Educational Services

Michael Krause
Assistant Superintendent, Business Services

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South San Francisco Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the South San Francisco Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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*Licensed by the California
State Board of Accountancy*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

Because the District's account records were inadequate and certain supporting documents were not available, we were unable to obtain sufficient appropriate audit evidence supporting the amounts at which capital asset and related accumulated depreciation were reported in the accompanying financial statements at \$215,627,018 and \$71,240,101, respectively, as of June 30, 2015.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South San Francisco Unified High School District as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of South San Francisco Unified School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1 to the financial statements, in 2015 South San Francisco Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South San Francisco Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of South San Francisco Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South San Francisco Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 15, 2015

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

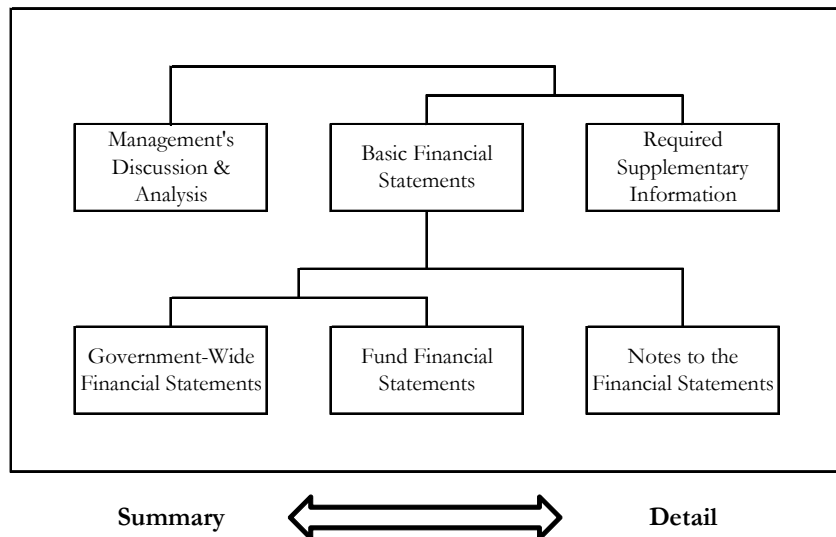
Our discussion and analysis of South San Francisco Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was (\$14,758,568) at June 30, 2015. This was a decrease of \$104,656,543 from the prior year before restatement. The cause of the decrease in total net position is largely due to the implementation of GASB 68. This accounting standard was issued by the Governmental Accounting Standards Board (GASB) and makes changes to the recording for costs and liabilities related to employee pensions. GASB 68 relates to the accrual-basis financial statements, the government-wide financial statements. The implementation of GASB 68 in fiscal year 2014-15 establishes a net pension liability that can be seen in the government-wide financial statement causing an increase to the overall long term debt for South San Francisco Unified School District.
- Overall expenses were \$137,057,381 which exceeded revenues of \$103,072,700.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was (\$14,758,568) at June 30, 2015. Of this amount, (\$27,768,590) was unrestricted. The negative unrestricted ending net position is largely due to the implementation of GASB 68. This new financial accounting pronouncement requires the establishment of a net pension liability (reflected below in the total long term liabilities) as well as deferred outflows and inflows of resources. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2015	2014	Net Change
ASSETS			
Current and other assets	\$127,170,392	\$ 93,285,848	\$ 33,884,544
Capital assets	144,026,917	144,026,917	-
Total Assets	271,197,309	237,312,765	33,884,544
DEFERRED OUTFLOWS OF RESOURCES	5,449,462	-	5,449,462
LIABILITIES			
Current liabilities	46,702,640	21,040,501	25,662,139
Long-term liabilities	228,154,526	126,374,289	101,780,237
Total Liabilities	274,857,166	147,414,790	127,442,376
DEFERRED INFLOWS OF RESOURCES	16,548,173	-	16,548,173
NET POSITION			
Net investment in capital assets	(9,366,703)	36,512,499	(45,879,202)
Restricted	22,376,725	12,588,192	9,788,533
Unrestricted	(27,768,590)	40,797,284	(68,565,874)
Total Net Position	\$ (14,758,568)	\$ 89,897,975	\$ (104,656,543)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2015	2014	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,245,119	\$ 7,528,321	\$ (6,283,202)
Operating grants and contributions	14,430,847	9,506,561	4,924,286
General revenues			
Property taxes	82,141,068	69,915,048	12,226,020
Unrestricted federal and state aid	9,452,493	1,915,408	7,537,085
Other	(4,196,827)	4,114,460	(8,311,287)
Total Revenues	103,072,700	92,979,798	10,092,902
EXPENSES			
Instruction	48,751,427	44,927,862	3,823,565
Instruction-related services	9,292,565	8,368,050	924,515
Pupil services	10,720,601	10,639,409	81,192
General administration	4,430,448	3,945,635	484,813
Plant services	56,266,769	6,539,611	49,727,158
Ancillary and community services	26,449	27,049	(600)
Debt service	6,405,639	3,443,264	2,962,375
Other Outgo	1,163,483	4,023,048	(2,859,565)
Depreciation	-	6,298,376	(6,298,376)
Total Expenses	137,057,381	88,212,304	48,845,077
Change in net position	(33,984,681)	4,767,494	(38,752,175)
Net Position - Beginning, as Restated	19,226,113	85,130,481	(65,904,368)
Net Position - Ending	\$ (14,758,568)	\$ 89,897,975	\$ (104,656,543)

* Restatement to Beginning Net Position relates to the 2015 year only

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The total net cost of services provided for the year ended June 30, 2015 was \$121,381,415.

	Net Cost of Services	
	2015	2014
Instruction	\$ 42,193,677	\$ 40,152,908
Instruction-related services	8,877,855	6,654,569
Pupil services	8,449,099	8,091,073
General administration	4,146,847	3,659,356
Plant services	55,568,225	6,355,865
Ancillary and community services	24,399	2
Debt service	6,405,639	1,002,273
Transfers to other agencies	(4,284,326)	(1,037,000)
Depreciation	-	6,298,376
Total Expenses	\$ 121,381,415	\$ 71,177,422

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$114,756,625. The District's General Fund had \$6,727,857 more in operating revenues than expenditures for the year ended June 30, 2015. The Building Fund had \$45,081,783 more in operating expenditures than operating revenues for the year ended June 30, 2015. The Bond Interest & Redemption Fund had \$1,064,012 more in operating revenues than operating expenditures for the year ended June 30, 2015.

CURRENT YEAR BUDGET 2014-15

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested \$144,026,917 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2015	2014	Net Change
CAPITAL ASSETS			
Land	\$ 4,305,189	\$ 4,305,189	\$ -
Construction in progress	38,644,676	38,644,676	-
Land improvements	32,529,327	32,529,327	-
Buildings & improvements	133,641,475	133,641,475	-
Furniture & equipment	6,146,351	6,146,351	-
Accumulated depreciation	(71,240,101)	(71,240,101)	-
Total Capital Assets	\$144,026,917	\$144,026,917	\$ -

Long-Term Debt

At year-end, the District had \$228,154,526 in long-term debt, an increase of \$101,780,237 from last year – as shown in the table below. The cause of the increase in long term liabilities is largely due to the implementation of GASB 68 in fiscal year 2014-15. GASB 68 requires the establishment of a net pension liability to account for the District's obligation related to employee pensions. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2015	2014	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 32,235,512	\$ 35,707,096	\$ (3,471,584)
Bond anticipation note	164,814,577	91,180,190	73,634,387
Total certificates of participation	702,995	903,088	(200,093)
Compensated absences	465,345	538,820	(73,475)
Net OPEB obligation	3,387,102	2,470,629	916,473
Net pension liability	59,068,959	-	59,068,959
Less: current portion of long-term debt	(32,519,964)	(4,425,534)	(28,094,430)
Total Long-term Liabilities	\$228,154,526	\$126,374,289	\$ 101,780,237

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, is effective in the 2014-15 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years, and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2015-16 fiscal year.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Office at (650) 877-8707.

District Address

South San Francisco Unified School District
398 B Street
South San Francisco, CA 94080

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 123,194,110
Investments	445,242
Accounts receivable	3,071,967
Inventory	120,980
Prepaid expenses	338,093
Capital assets, not depreciated	42,949,865
Capital assets, net of accumulated depreciation	101,077,052
Total Assets	271,197,309
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,449,462
Total Deferred Outflows of Resources	5,449,462
LIABILITIES	
Accrued liabilities	9,428,700
Unearned revenue	4,753,976
Long-term liabilities, current portion	32,519,964
Long-term liabilities, non-current portion	228,154,526
Total Liabilities	274,857,166
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	16,548,173
Total Deferred Inflows of Resources	16,548,173
NET POSITION	
Net investment in capital assets	(9,366,703)
Restricted:	
Capital projects	2,168,402
Debt service	13,157,540
Educational programs	5,839,712
All others	1,211,071
Unrestricted	(27,768,590)
Total Net Position	\$ (14,758,568)

The accompanying notes are an integral part of these financial statements.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 48,751,427	\$ 257,262	\$ 6,300,488	\$ (42,193,677)
Instruction-related services				
Instructional supervision and administration	1,295,210	541	96,195	(1,198,474)
Instructional library, media, and technology	1,602,495	1,948	21,199	(1,579,348)
School site administration	6,394,860	19,434	275,393	(6,100,033)
Pupil services				
Home-to-school transportation	1,409,874	-	-	(1,409,874)
Food services	2,305,776	453,357	1,589,185	(263,234)
All other pupil services	7,004,951	3,828	225,132	(6,775,991)
General administration				
Centralized data processing	95,278	-	-	(95,278)
All other general administration	4,335,170	28,871	254,730	(4,051,569)
Plant services	56,266,769	5,117	693,427	(55,568,225)
Community services	26,449	173	1,877	(24,399)
Interest on long-term debt	6,405,639	-	-	(6,405,639)
Other Outgo	1,163,483	474,588	4,973,221	4,284,326
Total Governmental Activities	\$ 137,057,381	\$ 1,245,119	\$ 14,430,847	(121,381,415)
General revenues				
Taxes and subventions				
				72,652,779
				8,401,706
				1,086,583
				9,452,493
				821,399
				(5,018,226)
				87,396,734
CHANGE IN NET POSITION				
				(33,984,681)
Net Position - Beginning, as Restated				
				19,226,113
Net Position - Ending				
				\$ (14,758,568)

The accompanying notes are an integral part of these financial statements.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 57,795,703	\$ 46,317,012	\$ 14,901,949	\$ 4,179,446	\$ 123,194,110
Investments	133,301	-	-	311,941	445,242
Accounts receivable	2,793,343	92,746	24,500	161,378	3,071,967
Due from other funds	220,667	-	-	112,237	332,904
Stores inventory	79,320	-	-	41,660	120,980
Prepaid expenditures	184,942	7,848	-	145,303	338,093
Total Assets	\$ 61,207,276	\$ 46,417,606	\$ 14,926,449	\$ 4,951,965	\$ 127,503,296
LIABILITIES					
Accrued liabilities	\$ 1,765,574	\$ 5,534,731	\$ -	\$ 359,486	\$ 7,659,791
Due to other funds	93,535	119	-	239,250	332,904
Unearned revenue	4,703,499	-	-	50,477	4,753,976
Total Liabilities	6,562,608	5,534,850	-	649,213	12,746,671
FUND BALANCES					
Nonspendable	297,362	7,848	-	187,138	492,348
Restricted	5,169,539	40,874,908	14,926,449	4,049,646	65,020,542
Assigned	45,238,265	-	-	65,968	45,304,233
Unassigned	3,939,502	-	-	-	3,939,502
Total Fund Balances	54,644,668	40,882,756	14,926,449	4,302,752	114,756,625
Total Liabilities and Fund Balances	\$ 61,207,276	\$ 46,417,606	\$ 14,926,449	\$ 4,951,965	\$ 127,503,296

The accompanying notes are an integral part of these financial statements.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds \$ 114,756,625

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 215,267,018	
Accumulated depreciation	<u>(71,240,101)</u>	144,026,917

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:

(1,768,909)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 32,235,512	
Total certificates of participation	702,995	
Total bond anticipation note	164,814,577	
Compensated absences	465,345	
Net OPEB obligation	3,387,102	
Net pension liability	<u>59,068,959</u>	(260,674,490)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 5,449,462	
Deferred inflows of resources related to pensions	<u>(16,548,173)</u>	(11,098,711)

Total Net Position - Governmental Activities \$ (14,758,568)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 77,735,733	\$ -	\$ -	\$ -	\$ 77,735,733
Federal sources	3,131,280	-	556	1,958,830	5,090,666
Other state sources	5,430,482	-	47,053	767,303	6,244,838
Other local sources	2,736,431	408,287	8,436,834	1,990,994	13,572,546
Total Revenues	89,033,926	408,287	8,484,443	4,717,127	102,643,783
EXPENDITURES					
Current					
Instruction	46,003,035	-	-	1,258,849	47,261,884
Instruction-related services					
Instructional supervision and administration	1,287,998	-	-	239	1,288,237
Instructional library, media, and technology	1,667,672	-	-	-	1,667,672
School site administration	6,011,172	-	-	427,988	6,439,160
Pupil services					
Home-to-school transportation	1,409,874	-	-	-	1,409,874
Food services	-	-	-	2,384,338	2,384,338
All other pupil services	7,019,420	-	-	-	7,019,420
General administration					
Centralized data processing	95,278	-	-	-	95,278
All other general administration	4,278,879	-	-	213,347	4,492,226
Plant services	7,237,703	1,960	-	109,456	7,349,119
Facilities acquisition and maintenance	3,579,350	45,488,110	-	217,111	49,284,571
Community services	28,757	-	-	-	28,757
Transfers to other agencies	3,686,931	-	-	-	3,686,931
Debt service					
Principal	-	-	3,425,121	200,093	3,625,214
Interest and other	-	-	3,995,310	42,556	4,037,866
Total Expenditures	82,306,069	45,490,070	7,420,431	4,853,977	140,070,547
Excess (Deficiency) of Revenues Over Expenditures	6,727,857	(45,081,783)	1,064,012	(136,850)	(37,426,764)
Other Financing Sources (Uses)					
Transfers in	13,301	-	-	675,725	689,026
Other sources	-	67,950,000	6,950,606	-	74,900,606
Transfers out	(675,725)	-	-	(13,301)	(689,026)
Net Financing Sources (Uses)	(662,424)	67,950,000	6,950,606	662,424	74,900,606
NET CHANGE IN FUND BALANCE	6,065,433	22,868,217	8,014,618	525,574	37,473,842
Fund Balance - Beginning	48,579,235	18,014,539	6,911,831	3,777,178	77,282,783
Fund Balance - Ending	\$ 54,644,668	\$ 40,882,756	\$ 14,926,449	\$ 4,302,752	\$ 114,756,625

The accompanying notes are an integral part of these financial statements.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Governmental Funds \$ 37,473,842

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 3,625,214

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (74,900,606)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (1,157,007)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,215,291)

The accompanying notes are an integral part of these financial statements.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2015**

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 73,475

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (916,473)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 504,192

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 2,527,973

Change in Net Position of Governmental Activities

\$ (33,984,681)

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015**

	<u>Trust Funds</u>	<u>Agency Funds</u>
	<u>Private-Purpose</u>	<u>Student Body</u>
	<u>Trust Fund</u>	<u>Fund</u>
ASSETS		
Cash and cash equivalents	\$ 468,270	\$ 618,321
Accounts receivable	798	-
Total Assets	<u>469,068</u>	<u>\$ 618,321</u>
LIABILITIES		
Accrued liabilities	1,500	\$ -
Due to student groups	-	611,136
Other liabilities	-	7,185
Total Liabilities	<u>1,500</u>	<u>\$ 618,321</u>
NET POSITION		
Unrestricted	<u>467,568</u>	
Total Net Position	<u>\$ 467,568</u>	

The accompanying notes are an integral part of these financial statements.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Trust Funds</u>
	<u>Private-Purpose</u>
	<u>Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 3,951
Total Additions	<u>3,951</u>
DEDUCTIONS	
Other trust activities	<u>5,500</u>
Total Deductions	<u>5,500</u>
CHANGE IN NET POSITION	(1,549)
Net Position - Beginning	<u>469,117</u>
Net Position - Ending	<u>\$ 467,568</u>

The accompanying notes are an integral part of these financial statements.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The South San Francisco Unified District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds.. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Special Revenue Funds (*continued*):

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

State School Building Lease-Purchase Fund: This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings.

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section 41031* that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Government-Wide and Fiduciary Financial Statements (continued)

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-10 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance (*continued*)

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Cash in county	\$ 117,443,622	\$ 468,270
Cash on hand and in banks	1,094,814	618,321
Cash with fiscal agent	4,293,069	-
Cash in revolving fund	33,275	-
Cash collections awaiting deposit	329,330	-
Total cash and cash equivalents	<u>\$ 123,194,110</u>	<u>\$ 1,086,591</u>
Investments	<u>\$ 445,242</u>	<u>\$ -</u>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Mateo County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent – The Cash with Fiscal Agent in the General Fund, Child Development Fund and Special Reserve Fund for Capital Outlay Projects represents amounts help by third parties in the District’s name.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$118,053,092 and an amortized book value of \$117,911,892. The average weighted maturity for this pool is 595 days. The District maintains an investment in LAIF in the amount of \$445,242, which approximates fair value.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury, LAIF and equities are not required to be rated. As of June 30, 2015, the pooled investments in the County Treasury were rated AA/A1.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest & Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Total Fiduciary</u>
Federal Government						
Categorical aid	\$ 928,323	\$ -	\$ -	\$ 33,445	\$ 961,768	\$ -
State Government						
Apportionment	512,669	-	-	-	512,669	-
Categorical aid	187,043	-	-	23,893	210,936	-
Lottery	874,179	-	-	-	874,179	-
Local Government						
Other local sources	291,129	92,746	24,500	104,040	512,415	798
Total	\$ 2,793,343	\$ 92,746	\$ 24,500	\$ 161,378	\$ 3,071,967	\$ 798

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 01, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,305,189	\$ -	\$ -	\$ 4,305,189
Construction in progress	38,644,676	-	-	38,644,676
Total Capital Assets not Being Depreciated	42,949,865	-	-	42,949,865
Capital assets being depreciated				
Land improvements	32,529,327	-	-	32,529,327
Buildings & improvements	133,641,475	-	-	133,641,475
Furniture & equipment	6,146,351	-	-	6,146,351
Total Capital Assets Being Depreciated	172,317,153	-	-	172,317,153
Less Accumulated Depreciation				
Land improvements	3,233,642	-	-	3,233,642
Buildings & improvements	63,260,866	-	-	63,260,866
Furniture & equipment	4,745,593	-	-	4,745,593
Total Accumulated Depreciation	71,240,101	-	-	71,240,101
Governmental Activities				
Capital Assets, net	\$ 144,026,917	\$ -	\$ -	\$ 144,026,917

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2015 were as follows:

Due To Other Funds	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 93,535	\$ 93,535
Building Fund	119	-	119
Non-Major Governmental Funds	220,548	18,702	239,250
Total Due From Other Funds	\$ 220,667	\$ 112,237	\$ 332,904

Due from the General Fund to the Cafeteria Fund for catering charges	\$ 93,535
Due from the Child Development Fund to the General Fund for postage, indirect costs, and printing fees.	96,279
Due from the Child Development Fund to the Cafeteria Fund for preschool snacks	18,598
Due from the Cafeteria Fund to the General Fund postage, indirect costs, and printing costs	124,268
Due from the Building Fund to the General Fund for postage	119
Due from the State School Buidling Lease-Purchase Fund to the Capital Facilities Fund for local revenue	10
Due from the County School Facilities Fund to the General Fund for local revenue	1
Due from the County School Facilities Fund to the Capital Facilities Fund for local revenue	94
Total	\$ 332,904

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 675,725	\$ 675,725
Non-Major Governmental Funds	13,301	-	13,301
Total Interfund Transfers	\$ 13,301	\$ 675,725	\$ 689,026

Transfer from the General Fund to the Special Reserve for Capital Outlay Projects for 14-15 RDA passthrough	\$	675,725
Transfer from the Child Development Fund to the General Fund for 2014-15 rental		13,301
Total	\$	689,026

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental		Total Governmental		Total Fiduciary
			Funds	District-Wide	Activities		
Payroll	\$ 186,175	\$ -	\$ 17,134	\$ -	\$ 203,309	\$ -	
Construction	39,426	5,534,731	-	-	5,574,157	-	
Vendors payable	1,539,973	-	342,352	-	1,882,325	1,500	
Unmatured interest	-	-	-	1,768,909	1,768,909	-	
Total	\$ 1,765,574	\$ 5,534,731	\$ 359,486	\$ 1,768,909	\$ 9,428,700	\$ 1,500	

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2015, consisted of the following:

	Non-Major Governmental		Total Governmental
	General Fund	Funds	Activities
Federal sources	\$ 453,900	\$ -	\$ 453,900
Local sources	4,249,599	50,477	4,300,076
Total	\$ 4,703,499	\$ 50,477	\$ 4,753,976

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance		Balance		Balance Due In One Year
	July 01, 2014	Additions	Deductions	June 30, 2015	
Governmental Activities					
General obligation bonds	\$ 35,567,708	\$ -	\$ 3,425,121	\$ 32,142,587	\$ 3,783,603
Unamortized premium	139,388	-	46,463	92,925	46,463
Total general obligation bonds	35,707,096	-	3,471,584	32,235,512	3,830,066
Bond anticipation note	86,003,627	67,950,000	-	153,953,627	25,999,340
Unamortized premium	2,915,146	6,950,606	2,481,510	7,384,242	2,481,509
Accreted interest	2,261,417	1,215,291	-	3,476,708	-
Total bond anticipation note	91,180,190	76,115,897	2,481,510	164,814,577	28,480,849
Certificates of participation	903,088	-	200,093	702,995	209,049
Compensated absences	538,820	-	73,475	465,345	-
Net OPEB obligation	2,470,629	916,473	-	3,387,102	-
Net pension liability	75,005,673	-	15,936,714	59,068,959	-
Total	\$ 205,805,496	\$ 77,032,370	\$ 22,163,376	\$ 260,674,490	\$ 32,519,964

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund.

Payments on certificates of participation are made in the Building Fund.

Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to \$465,345. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

On January 1, 2006, the South San Francisco Unified School District purchased the 2006 Refunding Bonds, which was issued the same year to refund the Series 1997 and Series 1999 and 1999 B bond issuances. The bonds were issued at a premium and yielded net proceeds of \$2,992,183 to be spent on the District's capital facilities improvement program. The proceeds were deposited into the District's Building Fund in 2005-06. The remaining funds were transferred into an escrow fund, an in-substance defeasance, for the purpose of paying off all previously issued bonded indebtedness.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2015
					Outstanding July 01, 2014	Additions	Deductions	
2006 Refunding	1/1/2016	9/1/2023	4.00% - 5.25%	\$ 36,825,170	\$ 30,057,708	\$ -	\$ 1,730,121	\$ 28,327,587
2012 Series A	5/23/2012	9/1/2016	0.32% - 3.00%	7,000,000	5,510,000	-	1,695,000	3,815,000
					\$ 35,567,708	\$ -	\$ 3,425,121	\$ 32,142,587

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds (continued)

The annual requirements to amortize the 2006 Series general obligation bonds outstanding as of June 30, 2015, are as follows:

Year Ended June 30,	Series 2006		
	Principal	Interest	Total
2016	\$ 1,963,603	\$ 1,558,710	\$ 3,522,313
2017	2,215,681	1,439,600	3,655,281
2018	2,487,621	1,305,556	3,793,177
2019	2,780,771	1,155,407	3,936,178
2020	3,096,563	987,903	4,084,466
2021 - 2024	15,783,348	1,888,530	17,671,878
Total	\$ 28,327,587	\$ 8,335,706	\$ 36,663,293

The annual requirements to amortize the 2012 Series general obligation bonds outstanding as of June 30, 2015, are as follows:

Year Ended June 30,	2012 Series A		
	Principal	Interest	Total
2016	\$ 1,820,000	\$ 67,200	\$ 1,887,200
2017	1,995,000	19,950	2,014,950
Total	\$ 3,815,000	\$ 87,150	\$ 3,902,150

C. Bond Anticipation Notes

A schedule of changes in the bond anticipation notes (BANS) for the year ended June 30, 2015 consisted of the following:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	BANS			BANS Outstanding June 30, 2015
					Outstanding July 01, 2014	Additions	Deductions	
Series C & D	5/8/2012	5/1/2017	1.82% - 2.01%	\$ 56,001,757	\$ 56,001,757	\$ -	\$ -	\$ 56,001,757
Series E & F	6/1/2013	6/15/2018	0.32% - 3.00%	\$ 30,001,870	30,001,870	-	-	30,001,870
Series G	8/19/2014	7/1/2018	3.50%	\$ 67,950,000	-	67,950,000	-	67,950,000
					\$ 86,003,627	\$ 67,950,000	\$ -	\$ 153,953,627

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (continued)

C. Bond Anticipation Notes (continued)

The annual requirements to amortize the Series C & D bond anticipation notes as of June 30, 2015 are as follows:

Year Ended June 30,	BAN Series C		BAN Series D	
	Principal	Interest	Principal	Interest
2016	\$ 25,999,340	\$ 1,965,660	\$ -	\$ -
2017	-	-	30,002,417	3,132,583
Total	\$ 25,999,340	\$ 1,965,660	\$ 30,002,417	\$ 3,132,583

The annual requirements to amortize the Series E & F bond anticipation notes as of June 30, 2015 are as follows:

Year Ended June 30,	BAN Series E and F		
	Principal	Interest	Total
2016	\$ -	\$ 1,066,800	\$ 1,066,800
2017	-	1,066,800	1,066,800
2018	30,001,870	1,584,930	31,586,800
Total	\$ 30,001,870	\$ 3,718,530	\$ 33,720,400

The annual requirements to amortize the Series G bond anticipation notes as of June 30, 2015 are as follows:

Year Ended June 30,	BAN Series G		
	Principal	Interest	Total
2016	\$ -	\$ 2,378,250	\$ 2,378,250
2017	-	2,378,250	2,378,250
2019	-	2,378,250	2,378,250
2018	67,950,000	1,189,125	69,139,125
Total	\$ 67,950,000	\$ 8,323,875	\$ 76,273,875

D. Certificates of Participation

A schedule of changes in the certificates of participation (COPS) for the year ended June 30, 2015 consisted of the following:

Series	Maturity Date	Interest Rate	COP			COP Outstanding June 30, 2015
			Outstanding July 01, 2014	Additions	Deductions	
Series 2014	2018	4.88%	\$ 393,088	\$ -	\$ 80,093	\$ 312,995
Series 2009	2018	1.25% - 4.75%	510,000	-	120,000	390,000
			\$ 903,088	\$ -	\$ 200,093	\$ 702,995

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015

NOTE 8 – LONG-TERM DEBT (continued)

D. Certificates of Participation (continued)

The annual requirements to amortize the Series 2004 Cafeteria certificates of participation as of June 30, 2015 are as follows:

Year Ended June 30,	Cafeteria COP		
	Principal	Interest	Total
2016	\$ 84,049	\$ 14,251	\$ 98,300
2017	88,201	10,009	98,210
2018	92,557	5,743	98,300
2019	48,189	1,171	49,360
Total	\$ 312,996	\$ 31,174	\$ 344,170

The annual requirements to amortize the Series 2009 certificates of participation as of June 30, 2015 are as follows:

Year Ended June 30,	COP 2009		
	Principal	Interest	Total
2016	\$ 125,000	\$ 14,919	\$ 139,919
2017	130,000	9,338	139,338
2018	135,000	3,206	138,206
Total	\$ 390,000	\$ 27,463	\$ 417,463

E. Net Pension Liability

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The District’s restated beginning net pension liability was \$75,005,673, and decreased by \$15,936,714 during the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was \$59,068,959. See Note 11 for additional information regarding the net pension liability.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 33,100	\$ -	\$ -	\$ 175	\$ 33,275
Stores inventory	79,320	-	-	41,660	120,980
Prepaid expenditures	184,942	7,848	-	145,303	338,093
Total non-spendable	297,362	7,848	-	187,138	492,348
Restricted					
Educational programs	5,169,539	-	-	670,173	5,839,712
Capital projects	-	40,874,908	-	2,168,402	43,043,310
Debt service	-	-	14,926,449	-	14,926,449
All others	-	-	-	1,211,071	1,211,071
Total restricted	5,169,539	40,874,908	14,926,449	4,049,646	65,020,542
Assigned					
Other assignments	45,238,265	-	-	65,968	45,304,233
Total assigned	45,238,265	-	-	65,968	45,304,233
Unassigned					
Reserve for economic uncertainties	3,939,502	-	-	-	3,939,502
Total unassigned	3,939,502	-	-	-	3,939,502
Total	\$ 54,644,668	\$ 40,882,756	\$ 14,926,449	\$ 4,302,752	\$ 114,756,625

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3% of general fund operating expenditures, or two percent of General Fund expenditures and other financing uses.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides health benefits to eligible retirees and their spouses based on agreements entered into with the South San Francisco Classroom Teachers Association (SSFCTA), and the local California Service Employees Association (CSEA). These agreements require the District to provide postemployment health care benefits up to \$3,800 annually to all certificated employees and \$4,000 annually to all classified employees who retire from the District on or after attaining the age of 55, with at least 10 years of service. Participants to the Plan include 427 retirees and their beneficiaries currently receiving benefits, and 711 active employees eligible for these benefits in a future period.

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits	422
Active plan members	846
Total*	1,268

Number of participating employers	1
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*As of January 1, 2013 actuarial study

B. Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the SSFCTA, and CSEA. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually through the agreements between the District and the SSFCTA, and CSEA. For year ended June 30, 2015, the District contributed \$685,090 to the Plan, all of which was used for current premiums.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	1,657,002
Interest on net OPEB obligation		111,178
Adjustment to annual required contribution		<u>(166,617)</u>
Annual OPEB cost (expense)		1,601,563
Contributions made		<u>(685,090)</u>
Increase (decrease) in net OPEB obligation		916,473
Net OPEB obligation, beginning of the year		<u>2,470,629</u>
Net OPEB obligation, end of the year	\$	<u>3,387,102</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 1,601,563	43%	\$ 3,387,102
2014	\$ 1,624,511	37%	\$ 2,470,629
2013	\$ 954,899	66%	\$ 1,447,964

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	\$ -	\$ 12,163,443	\$ 12,163,443	0%	\$ 48,926,222	25%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2013 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return per year (net of administrative expenses), based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The UAAL is being amortized as a level percentage of payroll over a period of 29 years. The remaining amortization period at June 30, 2015, was 25 years. An investment rate of return of 5.0% and inflation rate of 3.0% were used. The actuarial value of assets was not determined in this actuarial valuation as there were none.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District recognized \$4,945,271 for their proportionate share of pension expense for the year ended June 30, 2015.

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Contributions

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$3,242,603 for the year ended June 30, 2015.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,978,194 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 46,177,004
States's proportionate share of the net pension liability associated with the District	27,883,669
Total	\$ 74,060,673

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District’s proportion was 0.079 percent, which did not change from its proportion measured as of June 30, 2013.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$3,986,278. In addition, the District recognized pension expense and revenue of \$2,407,111 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 11,370,999
District contributions subsequent to the measurement date	3,242,603	-
	<u>\$ 3,242,603</u>	<u>\$ 11,370,999</u>

\$3,242,603 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 2,842,750
2017	2,842,750
2018	2,842,750
2019	2,842,749
	<u>\$ 11,370,999</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015**

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions (continued)

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

* 10-year geometric average

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2015**

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 71,977,873	\$ 46,177,004	\$ 24,663,769

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were \$2,206,859 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$15,782,201 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.114 percent, which was a decrease of 0.007 percent from its proportion measured as of June 30, 2013.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2015, the District recognized pension expense of \$958,993. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,429,820
Changes in proportion and differences between District contributions and proportionate share of contributions	-	747,354
District contributions subsequent to the measurement date	2,206,859	-
	<u>\$ 2,206,859</u>	<u>\$ 5,177,174</u>

\$2,206,859 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 1,294,294
2017	1,294,294
2018	1,294,294
2019	1,294,292
	<u>\$ 5,177,174</u>

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 22,615,433	\$ 12,891,955	\$ 4,767,010

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

C. Construction Commitments

As of June 30, 2015, the District had commitments with respect to unfinished capital projects of \$46,638,031.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in a joint venture under a joint powers agreement (JPA) with the San Mateo County Schools Insurance Group (SMCSIG). The JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts.

The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District’s deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	Deferred outflows related to pensions	Deferred inflows related to pensions
STRS Pension	\$ 3,242,603	\$ 11,370,999
PERS Pension	2,206,859	5,177,174
Total	\$ 5,449,462	\$ 16,548,173

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District’s proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 89,897,975
Restatement	(70,671,862)
Net Position - Beginning, as Restated	\$ 19,226,113

NOTE 16 – SUBSEQUENT EVENT

Subsequent to the 2014-15 fiscal year, the District issued 2015 General Obligation Bonds (Measure J), Series B in the amount of \$26,000,000 for construction. The bonds bear an interest rate of 2% and mature on September 1, 2032.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 70,188,695	\$ 75,480,463	\$ 74,347,789	\$ (1,132,674)
Federal sources	3,052,505	3,725,120	2,900,758	(824,362)
Other state sources	1,929,607	2,563,542	3,452,288	888,746
Other local sources	1,791,831	2,217,622	2,614,653	397,031
Total Revenues	76,962,638	83,986,747	83,315,488	(671,259)
EXPENDITURES				
Certificated salaries	37,109,494	36,964,332	36,520,174	444,158
Classified salaries	11,799,474	11,910,617	11,611,295	299,322
Employee benefits	14,841,116	14,217,036	13,644,146	572,890
Books and supplies	2,901,285	4,929,059	2,922,615	2,006,444
Services and other operating expenditures	6,567,690	8,066,225	6,992,985	1,073,240
Capital outlay	53,570	4,350,214	2,949,493	1,400,721
Other outgo				
Excluding transfers of indirect costs	4,263,668	4,263,668	3,686,931	576,737
Transfers of indirect costs	(237,229)	(231,168)	(213,347)	(17,821)
Total Expenditures	77,299,068	84,469,983	78,114,292	6,355,691
Excess (Deficiency) of Revenues				
Over Expenditures	(336,430)	(483,236)	5,201,196	5,684,432
Other Financing Sources (Uses)				
Transfers in	15,518	13,301	13,301	-
Transfers out	(532,030)	(666,297)	(675,725)	(9,428)
Net Financing Sources (Uses)	(516,512)	(652,996)	(662,424)	(9,428)
NET CHANGE IN FUND BALANCE	(852,942)	(1,136,232)	4,538,772	5,675,004
Fund Balance - Beginning	42,503,334	42,503,334	42,503,334	-
Fund Balance - Ending	\$ 41,650,392	\$ 41,367,102	\$ 47,042,106	\$ 5,675,004

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$1,978,194 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund, Deferred Maintenance Fund and Special Reserve Fund for Other than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2013	\$ -	\$ 12,163,443	\$ 12,163,443	0%	\$ 48,926,222	25%
January 1, 2011	\$ -	\$ 12,289,900	\$ 12,289,900	0%	\$ 46,046,200	27%
January 1, 2009	\$ -	\$ 11,718,000	\$ 11,718,000	0%	\$ 45,002,000	26%

See accompanying note to required supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.079%
District's proportionate share of the net pension liability	\$ 46,177,004
States's proportionate share of the net pension liability associated with the District	27,883,669
Total	<u>\$ 74,060,673</u>
District's covered-employee payroll	\$ 36,404,423
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.8%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%

See accompanying note to required supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 CALPERS
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.114%
District's proportionate share of the net pension liability	\$ 12,891,955
District's covered-employee payroll	\$ 13,270,962
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	97.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%

See accompanying note to required supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,242,603
Contributions in relation to the contractually required contribution*	(3,242,603)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 36,404,423
Contributions as a percentage of covered-employee payroll	8.91%

*Amounts do not include on behalf contributions

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,206,859
Contributions in relation to the contractually required contribution	(2,206,859)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 13,270,962
Contributions as a percentage of covered-employee payroll	16.63%

See accompanying note to required supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2015, the District incurred expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as noted below:

	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Other outgo			
Transfers of indirect costs	\$ (231,168)	\$ (213,347)	\$ 17,821

**SUPPLEMENTARY
INFORMATION**

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education Cluster	84.010	14329	\$ 591,767
Adult Education: Adult Basic Education & ESL	84.002A	14508	151,298
Adult Education: Adult Secondary Education	84.002A	13978	57,370
Adult Education: English Literacy and Civics Education	84.002A	14109	21,854
Subtotal Adult Education Cluster			<u>230,522</u>
Migrant Education Cluster			
Title I, Part C, Migrant Education	84.011	14326	70,928
Title I, Migrant Education Summer Program	84.011	10005	18,801
Subtotal Migrant Education Cluster			<u>89,729</u>
Title II, Part A, Teacher Quality	84.367A	14341	239,965
Title III Cluster			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	69,085
Title III, Immigrant Education Program	84.365	15146	33,892
Subtotal Title III Cluster			<u>102,977</u>
Department of Rehab: Workability II, Transition Partnership	84.158	10006	69,839
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,336,595
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	828
IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	19,057
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	47,326
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	96,328
IDEA Preschool Staff Development, Part B	84.173A	13431	578
Subtotal Special Education Cluster			<u>1,500,712</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	48,129
Total U. S. Department of Education			<u>2,873,640</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster [1]			
School Breakfast Program	10.553	23668	184,741
National School Lunch Program	10.555	13391	1,287,081
USDA Commodities	10.555	*	177,769
Subtotal Child Nutrition Cluster			<u>1,649,591</u>
Child & Adult Care Food Cluster			
Child & Adult Care Food Program (CACFP)	10.558	13394	63,852
USDA Commodities	10.558	*	2,694
Subtotal Child & Adult Care Food Cluster			<u>66,546</u>
Total U. S. Department of Agriculture			<u>1,716,137</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Child Development: Federal Child Care, Center Based	93.596	13609	269,674
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Cluster			
Medi-Cal Billing Option	93.778	10013	34,316
Medi-Cal Administrative Activities	93.778	10060	15,931
Subtotal Medi-Cal Cluster			<u>50,247</u>
Total U. S. Department of Health & Human Services			<u>319,921</u>
Total Federal Expenditures			<u>\$ 4,909,698</u>

[1] - Major Program

* - Pass-Through Entity Identifying Number not available or not applicable

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2015**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	2,667.70	2,666.27
Extended Year Special Education	7.98	7.98
Total TK/K through Third	<u>2,675.68</u>	<u>2,674.25</u>
Fourth through Sixth		
Regular ADA	1,957.30	1,953.69
Extended Year Special Education	4.02	4.02
Total Fourth through Sixth	<u>1,961.32</u>	<u>1,957.71</u>
Seventh through Eighth		
Regular ADA	1,284.36	1,283.05
Special Education - Nonpublic Schools	2.85	2.80
Extended Year Special Education - Nonpublic Schools	1.93	1.93
Total Seventh through Eighth	<u>1,289.14</u>	<u>1,287.78</u>
Ninth through Twelfth		
Regular ADA	2,744.46	2,736.26
Extended Year Special Education	68.11	68.11
Special Education - Nonpublic Schools	8.60	9.36
Extended Year Special Education - Nonpublic Schools	5.81	5.81
Community Day School	9.70	10.57
Total Ninth through Twelfth	<u>2,836.68</u>	<u>2,830.11</u>
TOTAL SCHOOL DISTRICT	<u>8,762.82</u>	<u>8,749.85</u>

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2014-15 Actual Minutes	Number of Days	Status
Kindergarten	36,000	35,000	45,930	180	Complied
Grade 1	50,400	49,000	52,200	180	Complied
Grade 2	50,400	49,000	52,200	180	Complied
Grade 3	50,400	49,000	52,200	180	Complied
Grade 4*	54,000	52,500	52,200	180	Not in Compliance
Grade 5*	54,000	52,500	52,200	180	Not in Compliance
Grade 6	54,000	52,500	61,092	180	Complied
Grade 7	54,000	52,500	61,092	180	Complied
Grade 8	54,000	52,500	61,092	180	Complied
Grade 9	64,800	63,000	64,500	180	Complied
Grade 10	64,800	63,000	64,500	180	Complied
Grade 11	64,800	63,000	64,500	180	Complied
Grade 12	64,800	63,000	64,500	180	Complied

* In Grades 4-5, the District used the weighted average method for calculating instructional minutes (See Finding #2015-1).

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	2016 (Budget)	2015	2014	2013
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 87,078,730	\$ 83,328,789	\$ 78,612,341	\$ 88,580,382
Expenditures And Other Financing Uses	84,702,657	78,790,017	72,603,275	69,410,605
Net change in Fund Balance	\$ 2,376,073	\$ 4,538,772	\$ 6,009,066	\$ 19,169,777
Ending Fund Balance	\$ 49,418,179	\$ 47,042,106	\$ 42,503,334	\$ 36,494,268
Available Reserves*	\$ 4,235,133	\$ 3,939,502	\$ 23,882,653	\$ 22,194,162
Available Reserves As A Percentage Of Outgo	5.00%	5.00%	32.89%	31.98%
Long-term Debt	\$ 228,154,526	\$ 260,674,490	\$ 130,799,823	\$ 132,663,749
Average Daily Attendance At P-2	8,836	8,763	8,929	8,959

The General Fund balance has increased by \$10,547,838 over the past two years. The fiscal year 2015-16 budget projects a further increase of \$2,376,073. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long term obligations have increased by \$128,010,741 over the past two years.

Average daily attendance has decreased by 196 ADA over the past two years. An increase of 73 ADA is anticipated during the 2015-16 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund, the Deferred Maintenance Fund and the Special Reserve for Other than Capital Outlay Projects funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

On behalf payments of \$1,978,194 are not included in the actual revenues and expenditures reported in this schedule.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Adult Education Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2015, annual financial and budget report fund balance	\$ 47,042,106	\$ 1,444,232	\$ 4,164,945	\$ 1,993,385
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Fund balance transfer (GASB 54)	7,602,562	(1,444,232)	(4,164,945)	(1,993,385)
Net adjustments and reclassifications	7,602,562	(1,444,232)	(4,164,945)	(1,993,385)
June 30, 2015, audited financial statement fund balance	\$ 54,644,668	\$ -	\$ -	-

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015**

The District is not sponsoring local educational agency for any charter schools.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease- Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 757,124	\$ 1,399,315	\$ 684,097	\$ 10	\$ 95	\$ 1,338,805	\$ 4,179,446
Investments	154,809	-	-	-	-	157,132	311,941
Accounts receivable	132,343	25,758	1,054	-	-	2,223	161,378
Due from other funds	-	112,133	104	-	-	-	112,237
Stores inventory	-	41,660	-	-	-	-	41,660
Prepaid expenditures	900	10,615	133,788	-	-	-	145,303
Total Assets	\$ 1,045,176	\$ 1,589,481	\$ 819,043	\$ 10	\$ 95	\$ 1,498,160	\$ 4,951,965
LIABILITIES							
Accrued liabilities	\$ 220,299	\$ 131,674	\$ 3,425	\$ -	\$ -	\$ 4,088	\$ 359,486
Due to other funds	114,877	124,268	-	10	95	-	239,250
Unearned revenue	-	42,977	-	-	-	7,500	50,477
Total Liabilities	335,176	298,919	3,425	10	95	11,588	649,213
FUND BALANCES							
Non-spendable	900	52,450	133,788	-	-	-	187,138
Restricted	670,173	1,211,071	681,830	-	-	1,486,572	4,049,646
Assigned	38,927	27,041	-	-	-	-	65,968
Total Fund Balances	710,000	1,290,562	815,618	-	-	1,486,572	4,302,752
Total Liabilities and Fund Balance	\$ 1,045,176	\$ 1,589,481	\$ 819,043	\$ 10	\$ 95	\$ 1,498,160	\$ 4,951,965

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 242,694	\$ 1,716,136	\$ -	\$ -	\$ 1,958,830
Other state sources	647,681	119,622	-	-	767,303
Other local sources	1,023,194	633,687	326,279	7,834	1,990,994
Total Revenues	1,913,569	2,469,445	326,279	7,834	4,717,127
EXPENDITURES					
Current					
Instruction	1,258,849	-	-	-	1,258,849
Instruction-related services					
Instructional supervision and administration	239	-	-	-	239
School site administration	427,988	-	-	-	427,988
Pupil services					
Food services	-	2,384,338	-	-	2,384,338
General administration					
All other general administration	95,513	117,834	-	-	213,347
Plant services	92,478	-	16,978	-	109,456
Facilities acquisition and maintenance	24,650	-	-	192,461	217,111
Debt service					
Principal	-	80,093	120,000	-	200,093
Interest and other	-	18,206	24,350	-	42,556
Total Expenditures	1,899,717	2,600,471	161,328	192,461	4,853,977
Excess (Deficiency) of Revenues Over Expenditures	13,852	(131,026)	164,951	(184,627)	(136,850)
Other Financing Sources (Uses)					
Transfers in	-	-	-	675,725	675,725
Transfers out	(13,301)	-	-	-	(13,301)
Net Financing Sources (Uses)	(13,301)	-	-	675,725	662,424
NET CHANGE IN FUND BALANCE	551	(131,026)	164,951	491,098	525,574
Fund Balance - Beginning	709,449	1,421,588	650,667	995,474	3,777,178
Fund Balance - Ending	\$ 710,000	\$ 1,290,562	\$ 815,618	\$ 1,486,572	\$ 4,302,752

See accompanying note to supplementary information.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2015 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2015.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 5,090,666
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	(201,416)
IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	19,057
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	(25,034)
Child Development: Federal Child Care, Center Based	93.596	26,981
Bonfd Interest and Redemption Fund - Other Federal Revenue	N/A	(556)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 4,909,698</u>

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section* 46201.2.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
South San Francisco Unified School District
South San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South San Francisco Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the South San Francisco Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South San Francisco Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South San Francisco Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South San Francisco Unified School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

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State Board of Accountancy*

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Finding #2015-02)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (Findings #2015-01)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South San Francisco Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South San Francisco Unified School District's Response to Findings

South San Francisco Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. South San Francisco Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 15, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited South San Francisco Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South San Francisco Unified School District's major federal programs for the year ended June 30, 2015. South San Francisco Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South San Francisco Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South San Francisco Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South San Francisco Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, South San Francisco Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of South San Francisco Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South San Francisco Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South San Francisco Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 15, 2015

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
South San Francisco Unified School District
South San Francisco, California

Report on State Compliance

We have audited South San Francisco Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of South San Francisco Unified School District's state programs for the fiscal year ended June 30, 2015, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South San Francisco Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about South San Francisco Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of South San Francisco Unified School District's compliance with those requirements.

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Opinion on State Compliance

In our opinion, South San Francisco Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2015-3. Our opinion on state compliance is not modified with respect to this matter.

South San Francisco Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. South San Francisco Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine South San Francisco Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time for school districts	Yes
Instructional Materials, general requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes

Procedures Performed

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because ADA was below the required threshold for testing.

Christy White Associates

San Diego, California
December 15, 2015

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Qualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>	
<u>10.555 & 10.553</u>	<u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>300,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2015-1 ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meeting reduce the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Parkway Middle School

- 2/10 cash receipts did not show adequate documentation to reconcile the amount of collections or sales to the amount of the deposit
- Constitutions are not completed or on file for the various clubs.

Westborough Middle

- 1/10 cash receipts did not show adequate documentation to reconcile the amount of collections or sales to the amount of the deposit Westborough Middle
- 2/10 cash disbursements did not have proper approval on the check request/withdrawal form. Three signatures of approval are required on the form. There were only two signatures: the ASB student and the ASB advisor. The principal did not sign the check request/withdrawal form.
- Constitutions are not completed or available for review for the school clubs.

South San Francisco High School

- 10/10 cash receipts did not have adequate documentation to reconcile the sales or collections to the amount deposited

El Camino High School

- 6/10 cash receipts did not have adequate documentation to reconcile the sales or collections to the amount deposited

Cause: Insufficient controls over student body activities.

Effect: The effect, or potential effect, on the ASBs is there is an increased likelihood of misappropriation of assets and potential fraud.

Perspective: Testing internal controls related to the Associated Student Body.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2015-1 ASSOCIATED STUDENT BODY (ASB) (30000), *continued*

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: The District will be working with staff at the school sites to address the internal control deficiencies in the Associated Student Body (ASB) Funds. The Director of Business Services and staff will provide trainings and training materials to school staff on the ASB procedures as outlined in the FCMAT ASB Accounting Manual. District staff will also be conducting site visits to ensure school staff is following the proper ASB procedures.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING 2015-02: CAPITAL ASSETS (30000) (60000) (Material Weakness)

Criteria: The District should maintain a complete capital asset listing. These assets should be depreciated in conformity with generally accepted accounting principles, tracked, accounted for, and properly valued. Good internal controls and prudent accounting practices require the establishment and adherence to sound policies and procedures for capital assets.

Condition: The District has not adequately updated their capital asset listing and depreciation schedule. In addition, the District was unable to provide the amount of construction in progress from prior year that was put into service in 2014-15. Auditor was unable to receive adequate documentation to support the capital asset listing presented in the financial statements rendering capital assets unauditible.

Cause: The District experienced significant turnover in key management positions where were charged with the updating of the capital asset and depreciation schedules. A secondary cause is a lack of policies and procedures over capital assets in 2014-15.

Perspective/Context: All District capital assets.

Effect: Balance of capital asset listing may be materially misstated without an accurate listing and support for the amount the District presents as capital assets. The auditor's opinion was qualified because it can't be determined whether the capital assets and related accumulated depreciation are fairly stated.

Recommendations: The District should obtain a complete valuation for its capital assets and confirm that a valuation is complete, accurate, and adequately supports the amount they state in their financial statements. The District should also establish and implement written policies and procedures surrounding recording and tracking of capital assets and calculation of depreciation expense. In addition, the District should be tracking construction in progress and be able to provide a listing of assets that have been put into service.

District Response: The District agrees with auditor's recommendation to obtain a complete valuation for its capital assets to confirm the accuracy of the amount recorded in the financial statements. Management and staff will also be establishing written policies and procedures for the recording and tracking of capital assets and calculation of depreciation expense. The District will also closely track construction in progress in order to provide the information on the assets that have been put into service.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2015.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2015-3: INSTRUCTIONAL MINUTES (40000)

Criteria: The lowest reported instructional minutes per grade level from each school site should meet the minimum required minutes for the fiscal year according to Education Code 46201.

Condition: After reviewing total calculated instructional minutes, auditor noted that grades level 4 and 5 were below the required minutes for the fiscal year 2014-15 by 300 minutes annually.

Context: Through our testing of the school site calculated minutes, we noted the following grade level deficiencies in grade levels 4 and 5.

Cause: This District was still using the average method which is no longer allowable under the new Education Code.

Effect: The District is not compliance with Education Code.

Questioned Costs: The LCFF Funding before Minimum State Aid is less than the property taxes received by the District, thus the fiscal impact is zero (\$0), due to the new funding model. The District cannot receive any less state aid to meet than the minimum requirements.

District Response: The District has updated its calculation of instructional minutes to ensure that this is done properly in fiscal year 2015-16.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-1 ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meeting reduce the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Parkway Heights Middle School

- 3 out of 10 cash disbursements appear to be questionable or inappropriate.
- 3 out of 10 cash receipts are lacking adequate supporting documentation.

El Camino High School

- 1 out of 10 cash disbursements appears to be questionable or inappropriate.
- 5 out of 10 cash receipts are lacking adequate supporting documentation.

Cause: Insufficient controls over student body activities.

Effect: The effect, or potential effect, on the ASBs is there is an increased likelihood of misappropriation of assets and potential fraud.

Perspective: Testing internal controls related to the Associated Student Body.

Recommendation: The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

District Response: Funds derived from donations for questionable or inappropriate accounts in ASB have been transferred to the site discretionary fund. The District has hired one site Account Tech in the 2014-15 fiscal year to be responsible for the three middle schools and one for El Camino High, and one for South San Francisco High.

Current Status: Partially implemented, See Finding #2015-1.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS , continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-2: CASH RECEIPTS – FACILITIES USE (30000)

Criteria: Maintaining sound internal control over cash receipts reduce the opportunities for irregularities to occur.

Condition: Through our testing of facility use fees, we noted the following internal control deficiencies:

- The record keeping, custody of assets, and monitoring duties are all performed by one employee.

Cause: Insufficient controls over cash receipts.

Effect: The effect or potential effect of the facility use collection process is an increased likelihood of misappropriation of assets and potential for fraud.

Perspective: Testing cash receipts related to facility use fees.

Recommendation: The District office should have access to the facilities use collection system and perform monitoring, reconciling, and aging reports for the facilities use fee collections.

District Response: The District will implement a system of check and balances to ensure that facility use fees are monitored by the accounting department.

Current Status: Implemented.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-3: ATTENDANCE (10000)

Criteria: Absent notes and other source documents should be correctly posted to the District's attendance system per Education Code Section 46000 et seq.

Condition: After reviewing absent notes at several school sites in the District, auditor noted that some students who were absent are being incorrectly recorded in the attendance system as present. Auditor also noted missing signed teacher roster reports.

Context: Through our testing of the school sites attendance record keeping, we noted the following internal control deficiencies:

Los Cerritos Elementary School

- 1 out of 20 of the weekly signed reports tested was not found.

Spruce Elementary School

- 1 out of 20 teacher signed weekly reports was not found.

Parkway Heights Middle School

- 1 out of 20 students tested was incorrectly recorded as "present" in the system.
- 1 out of 24 teacher signed weekly reports was not found.

El Camino High School

- 1 out of 28 teacher signed weekly reports were not found.

Cause: This appears to be a procedural issue with regards to the recording of absent notes and the monitoring of attendance data reported.

Effect: Overstatement of attendance ADA at Parkway Heights Middle School for Grades 7-8 of 0.01 ADA.

Question Costs: The LCCFF Funding before Minimum State Aid is less than the property taxes received by the District, thus the fiscal impact is zero (\$0), due to the new funding model. The District cannot receive any less state aid to meet than the minimum requirements.

District Response: The District will revise P-2 and work on training the attendance clerks.

Current Status: Implemented.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-4: ATTENDANCE- INDEPENDENT STUDY (10000)

Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent or guardian, and a certificated employee prior to the commencement of independent study (Education Code Section 51747(c)(8)).

Condition: After reviewing attendance related to independent study we noted missing signatures and incomplete independent study forms.

Context: Through our testing of the school sites attendance record keeping, we noted the following internal control deficiencies:

Los Cerritos Elementary School

- 2 out of 2 of the independent study contracts was missing dates on the contract and missing proper approvals.

Monte Verde Elementary School

- 2 out of the 3 independent study contracts were missing a student signature.

Cause: This appears to be a procedural issue with regards to the recording of absent notes and the monitoring of attendance data reported.

Effect: Overstatement of independent study attendance ADA for Grades K-3 of 0.22 ADA.

Question Costs: The LCFF Funding before Minimum State Aid is less than the property taxes received by the District, thus the fiscal impact is zero (\$0), due to the new funding model. The District cannot receive any less state aid to meet than the minimum requirements.

District Response: The District will revise P-2 and work on training the attendance clerks.

Current Status: Implemented.

**SOUTH SAN FRANCISCO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING #2014-5: INSTRUCTIONAL MINUTES (40000)

Criteria: The lowest reported instructional minutes per grade level from each school site should meet the minimum required minutes for the fiscal year according to Education Code 46201.

Condition: After reviewing total calculated instructional minutes, auditor noted that grades level 4 and 5 were below the required minutes for the fiscal year 2013-14 by 380 minutes annually.

Context: Through our testing of the school site calculated minutes, we noted the following grade level deficiencies in grade levels 4 and 5.

Cause: This District was still using the average method which is no longer allowable under the new Education Code.

Effect: The District is not compliance with Education Code.

Question Costs: The LCFF Funding before Minimum State Aid is less than the property taxes received by the District, thus the fiscal impact is zero (\$0), due to the new funding model. The District cannot receive any less state aid to meet than the minimum requirements.

District Response: The change occurred after the School year started. The District will revise the 2014-15 minutes to comply.

Current Status: Not Implemented, See Finding #2015-3.